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extraneous.
Q. When I say personal it doesn't mean personal in a personal sense. That sounds redundant, but you are here as far as I'm concerned because you were and are an employee of WRS, and when I ask you this I presume you still are an officer of WRS, so it is personal in that sense.
A. Whatever.
MR. REILLY: You are representing WRS but you could be an individual who has information about the case and you could be deposed individually in that capacity as well, but you are here because you are the president of WRS.
A. I was just curious because we have been trying to collect this thing for so long and it just seems like there has been so much extraneous evidence that the thing has gone down, and it would have been so much simpler if we could have just collected money. I'm upset about this because the fact that these people didn't pay really impacted on the business.
MR. REILLY: Let him ask the

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questions. You answer the questions.
BY MR. SIEMINSKI:
Q. I can appreciate that being your subjective frustration, but I guess what I am going to say is I have a lot of questions to ask and that is part of the process.
A. Please proceed.
Q. Do you live in the Pittsburgh area?
A. Yes.
Q. Are you married?
A. Yes.
Q. Do you have children, adult children or young children?
A. Yes.
Q. Can you tell me where you graduated from high school?
A. Scott High, North Braddock.
Q. What year was that, Jack?
A. 1957 I think.
Q. What I would like to do is trace your professional background, your employment history from high school to the present time.
What did you do after high school? Either going on to college or university or

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becoming employed, what was the next thing?
A. I was working my way through college. I was going to Pitt and working in a gas station, ended up getting married and having a family young and I bought a gas station and operated that until I was looking for something different and I got started with WRS as one of my jobs.
Q. What year was your employment with WRS started?
A. 1959.
Q. When you started with WRS you would have been approximately 20 years old?
A. Yes.
Q. What was your position with WRS at that time?
A. Customer service, order entry.
Q. Can you describe for me in the year 1959 when you started with WRS what WRS did and tell me a little bit more about the company at that time.
A. The company was a commercial producer of industrial films and TV commercials. It had a film laboratory that

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developed film, primarily news film and sports film.
Q. In 1959 was the WRS facility located in Oakland?
A. Yes.
Q. This is somewhat what I suspected, that if you had started with WRS as early as you just told me you did that your professional history would be somewhat contemporaneous with WRS's history, so what I would like to have you do is continue to trace your employment with WRS and the kinds of things that you did as you rose through the ranks so to speak.
A. Well, because it was a small company and struggling it was very early in the production arena and there wasn't very much business and it was very hard to make a profit. The production was dragging the company down.
At a point in time shortly after I started the president of the company left and production was discontinued. I ended up in a position as the senior person, the only one left there who knew anything about the business.

EXHIBIT
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been the attorney that took something, copied, whatever. Maybe they brought them back.
Whatever it was I remember there was a heck of a lot more than we seem to have now. Those should be around someplace, perhaps with his ex-attorney. I don't think any of them are germane to the case.
MR. REILLY: Let me make a statement. I think Jack has related to you what he and I were talking a bit over lunch about, the documents that Mr. Herklotz sought or his counsel sought previously, and they seem to be more voluminous than the box that I have been able to gather together to bring here which took me three or more trips to WRS to get. We walked through the facility and pulled out of different places the documents that are here, so I think we have what is germane to the cause, but Jack just thought there might be more documents.
THE WITNESS: Everything that is germane to the case, invoices and statements and so forth, but you were asking a lot about production and production records and keeping

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track, and we do make a lot of paper in this industry and a lot of things in the production process that really are meaningless unless you are controlling production, which is what we were doing.
MR. REILLY: Let him resume his questioning. We made our statement.
BY MR. SIEMINSKI:
Q. I'm sitting here and have no basis to agree, disagree, object, not object, and so I understand that you have just made some statements for the record, and I don't want any silence on my part to indicate that I agree because I have no basis to know whether or not there is any merit to that, no merit whatsoever. I just don't have any factual basis to respond.
When did the Plaza/WRS relationship begin?
A. I don't recall exactly. We had done some work for Hemdale, which is a company that Eric Parkinson ran, and it was someplace in the nineties. Hemdale went out of business and then Eric started Plaza, so our relationship

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with Plaza I guess evolved from our relationship with Eric Parkinson at Hemdale.
Q. Were there any issues associated with the Hemdale relationship related to payment or accounts receivable or anything like that?
A. Hemdale paid slow but we collected. They made good on what we had done. In fact, at one point Plaza got the distribution agreement from the estate of Hemdale to distribute and that was supposed to be part of these assets as well, duplication.
We have got some of those materials and most of them were not shipped in as they were supposed to be, but to that extent Hemdale was involved, but they were assets of future business as opposed to receivables by Hemdale, unpaid receivables by Hemdale.
Q. If you had to characterize the ultimate conclusion of the WRS/Hemdale relationship it was what, satisfactory?
A. Satisfactory. They had a lot of potential, but they also had some cash flow issues which resulted in their going out of

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business.
Q. What was Eric Parkinson's position with Hemdale?
A. I think he might have been president, maybe one of the principals. I don't recall exactly. It was probably as I said nineties, mid-nineties, something like that.
Q. Did WRS have sales representatives or account representatives or salespeople designated for specific accounts, something like that?
A. We did.
Q. Was there a person that was designated as the account representative for the Plaza account?
A. I don't think we had a representative for Plaza.
Q. What was the sales representative or customer service representative called at WRS just so we can get our terms straight?
A. Sales representative. Some of them were called regional sales managers but same thing.

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Q. Would a regional sales manager supervise a number of sales representatives?
A. No.
Q. Is there anyone or was there anyone at WRS employed as a sales representative in the period of 1998 through let's say the year 2001 that might have more knowledge of the Plaza account than you?
A. I don't think we had a sales representative for Plaza. When we got started with Hemdale I can't remember how they came to be clients, how they contacted us, but they were not large clients. When Plaza started I don't recall whether we approached Eric. I think he called us, but I don't really remember.
Q. Is there a reason why there wasn't a sales representative designated for Plaza?
A. Not really. We did a lot of different things for a lot of different people, and the sales representatives were basically people who brought in new accounts and who serviced existing accounts.
Plaza was not a big account in the

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beginning. They had the potential to become big. I guess there was just never a reason to assign someone specifically to them to develop it.
Q. We have been talking to some extent about the sales mode. Was there anyone who was designated in a customer relationship mode managing that relationship or order fulfillment or some sort of liaison between WRS and Plaza? Was there anyone designated as such?
A. Not designated specifically I don't recall. There may have been, I don't remember, but we had a lot of internal customer service people. They were like internal sales but their mission was to take care of customer orders and requests and fulfillment was a separate area. We touched on that a bit. I didn't expand but we did manufacturing and for a lot of people we sent the finished goods out directly to them. We also had a fulfillment center where we would do the shipping and even the billing for some people.
Q. When did you develop the fulfillment center? By you I mean WRS.

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A. Late eighties, early nineties.
Q. By the time you developed a relationship with Plaza in say 1998 you already had a fulfillment center up and running offering those kind of services to other customers?
A. Yes.
Q. Contrary to that or the obverse of that is you didn't develop a fulfillment center in order to service Plaza's needs in any respect?
A. No.
Q. I had asked and I didn't use these words but I was kind of implying whether there was a formal designation of anyone assigned to work with Plaza. Was there either one individual or perhaps a group of individuals that might have informally gravitated towards working with Plaza?
A. Well, groups for sure worked with various people in customer service, a lot of credit situations because they were new and start-up and they were needing greater credit and we got into the big job that we did for

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Herklotz.
A lot of that was beyond the bounds of ordinary people. I mean, a regular account with ongoing credit went through in a different way than a situation where every new order had to be considered did we really want to do it because we were getting many more orders than we were payments and this receivable kept escalating and there seemed to be always a silver lining at the end of the cloud but it was very elusive.
Q. Would that situation have caused you personally to become involved?
A. I was involved with a lot of it and my CFO, Joe Gerek, was involved with a lot of it. A few of our credit people were involved heavily with it that reported to Joe.
Q. Who was that, Jack?
A. John Purdy was one, probably the primary guy involved with that. Bill, I can't remember Bill's last name now, would have been a second.
Q. Where is John Purdy now?
A. Don't know.

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Q. Bill, what was Bill's job title?

A. He was one of our collection people, credit supervisors.

Q. I want to ask you a series of questions about the Plaza/WRS relationship and I want to start from the beginning. I want to ask you in as much detail as you can possibly remember what transpired between Plaza and WRS? There are a fair amount of documents that are within this room, so if there is any question I ask you that you could answer with reference to a document, please feel free to do so.

A. A lot of paper here.

Q. I understand. Let's just start at the beginning. When did the Plaza relationship evolve from the Hemdale situation to more of a Plaza situation? The reason I ask it that way is because you said your work for Hemdale evolved into doing work for Plaza.

A. Our relationship with Eric Parkinson at Hemdale resulted in a continuing relationship with Eric Parkinson at Plaza.

Q. How did that happen? Did Eric come to you at some point or call you on the

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telephone and say I have left Hemdale, I'm now with Plaza, I look forward to doing business with you in my role at Plaza? How did that happen?

A. Well, as I mentioned before I think that's what happened. It may have been that I stayed in touch with him, I don't recall, but I do believe, I think it is probable that he contacted us after he started a new company. I honestly don't recall that.

Q. What was the first order that you received, you, WRS, received from Plaza?

A. I don't remember that, but the orders started small. Whatever it was it was a modest amount of money. As they got new titles and as they started expanding the distribution their orders increased, but our collections on account started slowing down. The bigger they got they had cash flow issues.

Q. Are there any documents or set of documents that you are aware of that are either in this room or perhaps elsewhere where you would be able to reconstruct the first set of orders from Plaza in the sense of what titles

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they were for, what were the quantities and to whom those orders were shipped?

MR. GIBSON: Can I interrupt? Some of the stuff here --

MR. REILLY: You can look at some of the stuff here that is available. Don't answer until you look.

A. As I understand your question I don't think there was any reason for us to know that. As far as, I mean, once the manufacturing is done the next stage is collection, and once the bill is paid if the bill is paid in full the computer deletes the invoice because there is no reason to keep that. There would have been lots of records but not organized the way you are asking about. I will take a look through here and see if there is anything I can --

MR. GIBSON: I think at the very end there was a letter back in 1996.

THE WITNESS: On the bottom of this?

MR. GIBSON: Yes, the very bottom, there were records back in June 1996

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that referred to a new enterprise.

MR. REILLY: Leaf through them before you answer the question. Make sure you go through that. I think the question was are there documents that would allow you to reconstruct how your relationship started with Plaza. If you look there you might find the answer. This is a letter dated August 7, 1996 or 1998. I can't quite make out the date. It is congratulating Eric and Gordon on the initial start-up for Plaza and Fun Co.

MR. REILLY: It would be correct that if you took the time to go through that file you might be able to reconstruct what started the relationship with Plaza, which I think was the question.

MR. SIEMINSKI: Yes.

A. This is the original letter. This letter -- yes, this looks like an original letter and price document to them, but I can't make out the year. It is signed by Joe Gerek and copied to me. It was the basis of the initial contract. '96 it looks like according to this.

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BY MR. SIEMINSKI:
Q. May I see it. You had indicated some doubt as to the typewritten date on the letter itself, August 7, 1996 or 1998, but it appears that the fax transmission date at the top clearly indicates at least as of the date on the top here that it was sent to Plaza on September 27, 1996; is that right?
A. That's what it appears to be, yes.
Q. This is a letter out of WRS's files?
A. Yes.
Q. What Joe Gerek apparently did in this letter was first of all congratulate Eric and Gordon on the formation of Plaza and acknowledge receipt of some bid specifications that had apparently been sent by Mr. Parkinson.
Finally, well perhaps not finally, but Mr. Gerek also responded to what was a pricing request characterized in that document as a bid with WRS's own counterproposal as to pricing?
A. Yes.
Q. That was for reproduction of videotapes?

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A. Yes.
Q. Do you know independently from memory what transpired after that letter in the sense of was there an agreement that was signed, were there orders that were placed? Do you have an understanding as to what transpired?
A. Well, we started doing business. I presume they signed and accepted this because they gave us work. This document is not signed but it is a fax of it. From some of the other documents in here it does show that we did work for them. In fact, at one point they had a credit balance of $21.40.
MR. SIEMINSKI: Just for recordkeeping purposes do you mind if we mark this as an exhibit since we have now referred to it and I will have copies made.
(Napor Exhibit No. 2 was marked for identification.)
BY MR. SIEMINSKI:
Q. Jack, I have handed you a copy of the Complaint that was filed in the 2003 action, filed in United States District Court

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by WRS against the Defendants. As we know, there are two Complaints that were filed. The court has consolidated the actions and I think to be technically correct the action at 03-1398 was administratively closed --
MR. REILLY: Right.
Q. -- or it might even have been closed with prejudice. In any event, the point I'm building up to is I copied this version of the Complaint because it was much more legible than any other copy that I had, and, secondly, I compared it to the Complaint in the 2000 case and as far as I could see they were in all material respects identical.
MR. REILLY: I can stipulate to that.
Q. I'm using this copy --
MR. REILLY: As representative of the year 2000 Complaint filed at the Docket No. CA002041 which was commenced in the year 2000.
Q. The reason I was careful to go through all that in detail is I would like to ask Mr. Napor a series of questions and use the

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Complaint as a framework for a number of reasons, and I wanted to obviate an objection down the road that this wasn't the right Complaint to use.
MR. REILLY: Right, I understand.
BY MR. SIEMINSKI:
Q. Jack, could you take a look at Paragraph 13 in particular, and I should ask you preliminarily if in general this Complaint appears to be a true and correct copy of the Complaint that was filed on behalf of your company in 2003 against the Defendants?
A. Yes.
Q. The document itself, the Complaint was signed by Mr. Reilly on behalf of WRS, and I presume that you worked with Mr. Reilly in order to provide the information that is contained in the Complaint?
A. That's my recollection.
Q. Let's focus on Paragraph 13, which indicates, and I'm going to paraphrase this, that on July 24, 1998 Parkinson acting as president and chief executive officer of Plaza

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submitted to WRS an account application for the purpose of inducing WRS to provide duplication and fulfillment services to Plaza on a credit basis.

Do you see that statement in the Complaint?

A. Yes.

Q. By virtue of the letter that we just talked about where it appeared that the relationship between Plaza and WRS was established in August 1996 it appears that there was some commercial relationship that existed between WRS and Plaza prior to July 24, 1998?

A. Yes.

Q. Do you have any idea or concept of the volume of business that WRS did with Plaza between August 1996 and July 1998?

A. Someplace in these documents we have a statement. The March 31 statement shows that they had a balance of $66,000, so it would have been something in excess of that as a total amount of business over that time period.

Q. What year is the document that you

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are reading from?

A. 1997. This is dated March 31, 1997.

MR. SIEMINSKI: Let's mark that as Exhibit 3 please.

(Napor Exhibit No. 3 was marked for identification.)

Q. What I understand you to be saying in response to my question is that the volume of business had to be at least -- I was going to repeat the figure you gave me, but it appears that the total of this document Exhibit 3 is $121,000 and change?

A. I'm sorry, I was giving the current balance. Yes, that's correct, $121,972.

Q. Since that document is dated 1997 it would appear that the volume of business that WRS did with Plaza prior to July 24, 1998 was at least approximately $121,000?

A. Yes.

Q. Could have been more?

A. Yes.

Q. Doesn't appear that it could have been less based on the document you are holding?

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A. No.

MR. REILLY: As of March 31, 1997.

MR. SIEMINSKI: Right.

MR. REILLY: It could have been less before that.

MR. SIEMINSKI: Yes, understood.

BY MR. SIEMINSKI:

Q. The services that WRS rendered to Plaza prior to July 24, 1998, were those services rendered on something other than a credit basis?

MR. REILLY: I mean, if you recall.

A. I do not recall.

MR. REILLY: Would looking at these documents assist you in formulating an answer?

Q. Jack, while you are looking I'll tell you the reason why I asked that question. In the Complaint it indicates that on July 24, 1998 Plaza submitted an application, an account application for the purpose of inducing WRS to

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provide duplication and fulfillment services to Plaza on a credit basis.

My point is while you are looking through the documents it appears that Plaza was already doing a substantial amount of business -- I recognize substantial is subject to interpretation but $121,000 is fairly substantial -- and so Plaza was doing substantial business with WRS prior to July 24, 1998.

A. Yes.

Q. I'm trying to understand what the basis for account application was if in fact WRS already had an account open for Plaza as of July 24, 1998.

A. Well, again, I can't tell you if this is the first application. I can tell you that they did start small as a start-up operation and as they developed, as their business developed their business strung out because they were short on cash. They had a big job that they wanted to get done and maybe more than one job but they had John Herklotz's job, Giant of Thunder Mountain, and we are

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didn't have the money because they owed us old money and they needed additional credit, so it was obvious to us that they had no cash.
Q. In other words, under those circumstances you felt like requesting cash up-front prior to duplication would be wasting your time?
A. They didn't have money to pay the old bill.
Q. So you sent a blank account application to Mr. Parkinson and it is your understanding he filled it out and sent it back. It is Exhibit A of the Complaint.
A. That makes it easier. Yes. Mr. Parkinson filled it out on July 24, 1998.
Q. Mr. Parkinson listed three trade references and two laboratories/video facilities previously used.
Did you talk to any of the trade references, and when I say you, did you on behalf of WRS or to your knowledge anyone else at WRS talk to any of those trade references?
A. I did not and I don't know if anyone else did.

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Q. Did you talk to any of the labs?
A. I don't recall. I may have.
Q. Did you or anyone on behalf of WRS talk to any of the bank references? There were two.
A. I don't recall.
Q. Mr. Parkinson on the second page of the account application indicated an amount of $500,000 for the estimated maximum dollar requirements for a 30-day period.
A. Yes.
Q. You were asked had Plaza or Mr. Parkinson ever been involved in bankruptcy or receivership. He checked no, and my question is did you ever do anything to verify that information independently?
A. Well, I was aware of the Hemdale situation. I don't know, I don't recall what else we found, but I was aware of Hemdale.
Q. In the account application itself there is an indication that WRS might request for a corporation current interim and last two years financial statements and/or federal income tax returns.

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Did WRS actually request that information of Mr. Parkinson or Plaza?
A. Yes.
Q. Do you have a recollection that you received that information?
A. My recollection is that that was part of the problem that I mentioned earlier. It had gone through a couple of different software systems and a couple different accountants and I don't recall if we ever got completed statements.
My recollection was that they never completed any other statements. I don't know what we might have received in the interim, but I did know they were having troubles putting their accounting together.
As I recall that was also part of our request for payment, additional collateral, cash, whatever we could get, and that is when Mr. Herklotz stepped up to the plate.
Q. How did Mr. Herklotz to the best of your recollection enter into the discussions?
A. My recollection is that he was a principal in Plaza and that he produced the

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Giant of Thunder Mountain and wanted to release it. Of course they needed a lot of additional dubs.
Q. You also said something about there were substantial dubs that were requested?
A. By release that would be part of the manufacture of dubs. Release means make the product and get it out there to sell.
Q. The amount would be reflected in the purchase order that you alluded to earlier?
A. Yes.
Q. We should mark that purchase order if we haven't already done so.
MR. REILLY: I think there are a number of purchase orders. That's why I said looking through that file.
THE WITNESS: There was a bunch of them in here.
MR. REILLY: Do they all pertain to the same transaction? They should be responsive to the question.
A. Here is an earlier purchase order for it where we made 10,000 dubs in February. These would have been screeners it looks like.

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Delivered on April 23, okay.

BY MR. SIEMINSKI:

Q. What are screeners?

A. Promotional copies that are sent out so people can determine whether or not they want to buy it.

Q. Plaza would probably send those out for free, but you would require your normal fee for duplicating those?

A. Yes, but we were having problems with the collection even back then, so we were handling orders on a consider each one individually at that time as I recall. This order is entered May 1. Oh no, I'm sorry, the due date was May 1. Their due date never changed but their getting us what we needed constantly slipped. This was supposed to be a couple of months beforehand, what we needed, documentation and so forth.

Q. In the context that we are talking about where Plaza was submitting a significant order but had a previous account receivable that they owed to WRS who at WRS had the authority to authorize further duplication

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services?

A. Either Joe Gerek or me.

Q. Anything of note in the documents that you are taking a look at?

A. The order was shipped it appears on the 23rd of April, but there is a note here from Plaza dated July 14. It says it is attached, so this would have been referring to a different order. That was not the screeners. This is attached to the wrong one.

Q. Jack, what quantity of video cassettes was shipped on April 23, 1998?

A. It looks like 10,000

Q. I take it we have to look through various invoices or shipment records to determine what videos were sent versus being able to refer to one document that would indicate that in sort of a spreadsheet form?

A. That's correct.

Q. As you had just indicated, it appears from a document that you are referring to now that there was approximately 10,000 Giant of Thunder Mountain videos shipped on April 23, 1998?

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A. That's correct.

Q. What was the amount that was billed for that or invoiced for those videos?

A. Invoice 117027.

MR. REILLY: That wouldn't be it. Wouldn't it show on there (indicating)?

THE WITNESS: Yes, it would.

Q. It appears that the earliest invoice on this printout is May 15, 1998.

A. Once an invoice was paid, then the computer takes them off just like credit statements, but if we have an earlier statement it might show that. I did see some statements somewhere. $18,924.77.

Q. What are you reading from?

MR. REILLY: What are you referring to?

A. I didn't hear your question.

Q. What document were you reading from?

A. Our statement of November 30, 1999.

Q. That refers back to the invoice?

A. Invoice for these 10,000 screeners of Giant of Thunder Mountain.

MR. REILLY: Does it show the

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date of the invoice?

THE WITNESS: Invoice date was May 29.

MR. REILLY: Of 1998?

THE WITNESS: Of 1998, that's correct.

BY MR. SIEMINSKI:

Q. You mentioned it earlier but what was the invoice number?

A. 177027.

Q. Recall for me as best as you can what conversations you had with John Herklotz prior to the time when he submitted the document that is Exhibit B of the Complaint.

A. I don't recall ever talking to John Herklotz until I met him about a year ago, a year and a half ago.

Q. You don't recall any discussions with Mr. Herklotz prior to May or in May or June of 1998?

A. I don't recall any, no.

Q. Do you know whether Mr. Gerek had discussions with Mr. Herklotz?

A. I don't know.

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Q. Do you know whether anyone else on behalf of WRS had discussions with Mr. Herklotz prior to the point where he submitted the document that is attached to the Complaint as Exhibit B?

A. Someplace in here I believe I saw something that would tell us that. There is a note here that was faxed to John Herklotz by John Purdy on May 6, 1998 that says, "Per your conversation with Joe Gerek personal guaranty form is included. Please have it witnessed, notarized and returned to the above address. If we may assist you in any manner, please let us know."

That triggers something else. I said that the screeners were shipped on April 23. They were completed on the 23rd from this document. I don't have a shipping document. They may not have been released until after we got this guaranty. I say that because our invoice is not dated until May.

Q. But at least for the 10,000 they were reproduced prior to May?

A. That's correct. The order was

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originally placed in February but we wouldn't make them. Our order is marked on credit hold for processing. That's not this (indicating). This is a different order. This one was on hold but so was the one in February because of payment issues.

Here is another note dated May 7, 1998 from Eric Parkinson to Joe Gerek that said enclosed are two checks as discussed, $40,000 and $10,000, and the next to the last paragraph says I'm filling out all of the UCC and credit documentations that John Purdy sent but don't have these complete right this second and the FedEx man is breathing over my shoulder so these will be completed and faxed and FedExed to you tomorrow for hard copy arrival Friday morning.

My recollection, this entire job was held from the beginning because of the credit issues which is supported by what we have found so far in the documents.

Q. We would have to talk apparently with Joe Gerek in order to understand what conversations he had with Mr. Herklotz prior to

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the time that Mr. Herklotz submitted his document?

MR. REILLY: I think the documents John Purdy sent them.

MR. SIEMINSKI: I'm sorry, John Purdy sent the document but it says per your conversation with Joe Gerek, which is why I invoked Joe Gerek's name.

MR. REILLY: Okay.

A. But the documents that were ultimately produced were the documents that we said were required before --

Q. If you have the knowledge or the information based on conversations with John Herklotz I would ask you what you told John Herklotz prior to asking him to submit --

A. I didn't speak directly to John Herklotz. We were talking to Eric Parkinson and Gerek was talking to him, but we needed money and/or guarantees before we were going to do any work, so the conversations would have been related to that but I was not personally involved in those conversations.

Q. Exactly, so you don't know what was

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explained to Mr. Herklotz about the situation in general or any specific aspect of the situation prior to a request being made to Mr. Herklotz to sign the document that is appended to the Complaint as Exhibit B?

A. The documents would indicate that Mr. Herklotz was aware that his guaranty was required before we were going to do any work.

Q. But you were not privy to the discussion Mr. Gerek had with Mr. Herklotz?

A. I was not present.

Q. What if anything did WRS do to investigate Mr. Herklotz's ability to follow through on the document that he had signed?

A. What do you mean to follow through?

Q. Well, the document purports to obligate Mr. Herklotz to pay somebody else's debt, and I'm trying to understand what if anything WRS did to apprise itself of whether Mr. Herklotz had the financial ability to do that.

A. Okay, his creditworthiness. I'm trying to remember what we did and precisely what we found. He had had a television

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shipping things to?

A. I don't know all of them because I didn't look at all of them, but just thumbing through here it appears that these are invoices that were generated either by us or by Plaza to their customers. We must have done them.

Q. It shows Plaza Entertainment, Inc. located at 1,000 Napor Boulevard.

A. Yes. When Plaza was having trouble getting their records straight and collecting money and paying us and so forth and they were having trouble keeping their staff on is when we made the agreement to take over those services for them.

Q. I thought that was in 1998, October 1998 was the Services Agreement when you took over. Were there other invoices? The other invoices sent before that were apparently going out from Plaza and then the receipts were going to a lock box in California or WRS?

A. I think we are maybe talking about two different service agreements. One of them was an agreement that guaranteed we were going to get paid which Herklotz, von Bernuth and

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Parkinson signed --

Q. In 1998?

A. -- in 1998 that we called the Services Agreement. Then when they asked us to take over the physical distribution, the fulfillment of their stuff, we were generating invoices and trying to collect money for them, and that is when the proceeds of that went into a lock box.

We had an account with Plaza and then we had a Plaza business if you will set up with this where when people would order Plaza's business at 1000 Napor Boulevard we would manufacture, ship and bill and the proceeds went into a lock box. The cost, and I don't remember the exact percentage, but the manufacturing costs came off the top and then we split the proceeds.

Q. Are we missing a subsequent agreement or is this all under the 1998 agreement?

A. I'm not sure there was a formal additional agreement for doing that. This is when earlier we were asking about how did that

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happen and I had mentioned that Plaza said they had accounts receivable of $2.2 million that kept eroding every time we asked.

We said look, maybe we can help you with this and about a year later they said we are just not getting it done, why don't you do that.

At that point I sent a couple people to the West Coast to get those records and find out what was going on. They spent four or five days there doing this but the records were incomplete, disorganized, brought back what they could. They had a lot of pieces of it missing. Some of it was at Plaza's Fulfillment Center in Arkansas as I recall, but these invoices and statements were generated as a result of our helping them do that.

There was never anything like we were never able to collect or find anything like they represented was due, and we found that there were a lot of collection issues with their clients on some of the former alleged receivables.

Q. Going ahead to October 2000, that's

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when this thing is in place, Eric sent you a response to your fax of late Friday evening. I don't have a calendar with me, I'm not sure which Friday it refers to, but is there any place where we could find your fax that he was responding to?

MR. REILLY: What date are you talking about?

MR. GIBSON: October 15, 2000. I don't know where that is, Tom. There is no use looking for it here.

MR. REILLY: October 15, 2000?

A. This says --

MR. REILLY: Read it first, then we'll talk about it.

A. Was it 2000 that Eric was in with Intertec? Intertec was another potential investor who was considering putting up money to distribute some of Plaza's assets. I believe that this is what he is talking about, this fax.

Do you have a copy of that that had to do with negotiations going on? Eric was trying to distribute this stuff that we were

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receivable. There was a situation where WRS apparently determined that Plaza was incapable of collecting that receivable and managing the distribution process.

A. No, that's not correct. Plaza for whatever reason wasn't doing it and whatever money was going into Plaza wasn't getting distributed as it should have been, a big chunk of it to us to pay for the dubs, and even so Plaza was failing. They had an infrastructure, a bunch of people, I don't remember how many, seven or eight people rented off space and they were doing these things which contributed to their overhead and they weren't able to cover the cost of their overhead. They were using some of the money that they could have been paying us and other creditors with just to cover that cost, and at some point Parkinson realized that they weren't doing an effective job themselves and they couldn't cover these costs anymore, and that's the basis that we were talking about, how can we cut costs, how can we get some of the money back in. That's what happened.

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A. Some data. I don't have all of the staff that was familiar with it to be able to get everything out of it, but we have been able to get some data.

MR. SIEMINSKI: Tom, I want to on the record reserve my right to actually inspect the computer system and operate it, and this is a request being made prior to expiration of the discovery deadline although we have been cooperative.

MR. REILLY: I don't see any problem with that.

MR. SIEMINSKI: Okay.

THE WITNESS: If your concern is that the totals owed are inaccurate I don't think that is going to be a factor.

BY MR. SIEMINSKI:

Q. I was just trying to find out information, so I appreciate that you are concerned about my concerns but that is not the purpose of the questioning.

MR. SIEMINSKI: Off the record.

(At this juncture, a luncheon